

Vol. 8, No. 1

Spring 1997

# THE COMMUNITY LEADER'S LETTER

NEWS & VIEWS FOR SOUTH CAROLINA'S  
GRASSROOTS LEADERS

## Applicants for New Funding Can Learn From Current Enterprise Communities

*The Compensation Principle - p. 2*  
*The Presidents' Summit for the Future of America - p. 3*

*The Empowerment Zones/Enterprise Communities Program, created by the Omnibus Budget Reconciliation Act of 1993, is a major federal initiative for assisting communities in developing broad based approaches to economic development, community development, and human investment. Poverty-stricken urban and rural communities are offered incentives to get a diverse and representative group of community residents and stakeholders involved in designing holistic strategies for community building and renewal.*

Communities that may be thinking about competing for designation as one of 20 new Empowerment Zones and 80 new Enterprise Communities proposed for funding in the 1998 federal budget can learn from some of the pitfalls experienced by communities selected in the first round, according to Bruce Ransom, political scientist at the Strom Thurmond Institute.

Goal development, governance issues, goals related to entrepreneurship, and the financial plan for use of the grant funds need special attention from new applicants for program funds, advises Ransom. His suggestions are based on his recent study of the Empowerment Zones/Enterprise Communities program in general and the state's Williamsburg-Lake City Enterprise Community in particular. He also examined strategic plans of some of the 14 unsuccessful rural and urban communities from South Carolina entered in the

first round of competition.

Prior to implementation of their strategic plans, Ransom found, communities receiving grants after designation as Empowerment Zones/Enterprise Communities had to revisit their plans to transform broad goals into benchmarks that laid out measurable priorities. Strategic planning, a mandated element of the application process, did enable people at the local level to write their own destinies and examine how to better use existing resources and search for long-term solutions. But with only about four months to develop their plans for their grant proposals, communities tended to set less specific, broad goals.

A vision of the program was to involve and empower residents of poverty stricken communities to find grassroots solutions for problems by relying less on government and by working through a locally elected board. But local governance issues became a challenge in

many communities upon receipt of the grant. So rather than focusing on job training and creation and business development during the start-up period, government-community-grassroots partnerships engaged in such struggles as whether 51 percent of the community would control the Enterprise Community board.

Entrepreneurship, increasingly a major goal for Enterprise Communities, was often overlooked in the goal setting process. Now as implementation goes forward, businesses, colleges, and government agencies are being solicited for training and technical assistance to help local residents establish businesses and create jobs. Micro-lending is also being viewed as a mechanism to help local residents obtain financing for starting small business enterprises.

The Empowerment Zone/Enterprise Community pro-

(Cont. p. 4)

ECONOMIC BRIEF NO. 27

# Using the Compensation Principle

This series of economic briefs explores fundamental concepts in economics and community and economic development.

For more than a century economists have wrestled with the problem of measuring the gains and losses when policy decisions are made which create change. And what about compensation for losses created by change?

The only rule that is universally accepted among economists is one called Pareto optimality. Under this rule no policy change should be made unless the change makes at least one person

the one in such a case? And if they can't, does it mean that it is never possible to justify making any changes?

In response to this dilemma, economists have developed a less rigid rule called the compensation principle. Under this principle, a change can be justified if the gains to those who benefit are large enough to compensate the losers for their losses and still have something left over.

What if a new highway brings benefits of \$10 million to commuters, retailers, and others and losses of \$3 million to people along the old highway? Under the compensation principle, it would

Also, this principle only requires that compensation be possible, not actually paid. Payment depends on who gains and loses. Are the gainers poor and the losers rich or vice versa? Are the gainers children and the losers adults? Are the gainers persons discriminated against in the past? Payment also may depend on political considerations.

In the 1960s, legislation which passed the gain and loss test of the compensation principle provided for major expansion in international trade to increase foreign competition but created job losses at home. Because organized labor's political support was essential for passage, trade adjustment provisions had to be added to provide compensation to affected firms and dislocated workers.

In spite of its shortcomings, the compensation principle offers a useful shortcut guide to making certain public sector decisions when there are clearly identifiable winners and losers. Next time your local government proposes a new service or a zoning change, the compensation principle could give you a whole new perspective on how to walk yourself through the difficult process of making public sector decisions.

**Change can be justified if gains are large enough to produce a substantial gain after the losers are compensated for their losses.**

better off and no one worse off. But it is almost impossible to make any kind of change without making someone at least slightly worse off.

What if a change made 1,000 people better off and one worse off? There is no easy answer. If 1,000 people are benefited by mildly inconveniencing one person, a change is probably justified. But what if the person dies, is severely injured, or is exposed to dangerous chemicals? Can citizens or elected officials weigh 1,000 against

be possible to collect enough from the winners through taxes, tolls, impact fees, or other means to compensate losers and still leave winners with \$7 million in benefits.

This principle doesn't give all the answers. It assumes all gains and losses can be identified and measured. However, it may leave out hard-to-measure benefits and losses like the loss of wildlife habitats, the attractiveness of a town square, the ease of getting around on good highways or public transportation.

*In furtherance of Clemson University's land-grant mission, the Community & Economic Development Program at Clemson provides access for community leaders in South Carolina to expertise in all branches of knowledge on the University campus.*

# Presidents' Summit Challenges Americans To Volunteer For Benefit of Nation's Youth

On the April 28 cover of *Newsweek* in a parody of an Uncle Sam military recruiting poster, General Colin Powell sends the message of the Presidents' Summit for the Future of America loud and clear.

Powell challenges all Americans to enlist as volunteers in a battle to improve the lives of America's 15 million at-risk children. Recognizing that young people do better when they have caring adults who are committed to them, at the Summit the presidents of the United States—Clinton, Bush, Ford, and Carter—and Nancy Reagan shared their vision of an America where young people develop the competence, character, confidence and connections needed to live a healthy, fulfilling life and to contribute positively to society.

Thirty-eight South Carolinians in four delegations, representing the Governor, Charleston, Columbia, and rural South Carolina, returned from the Summit energized to do their part in achieving this vision and the Summit goal of touching the lives of 2 million children by the year 2000. South Carolina's "part" is to change the lives of 38,000 additional children in the state by the year 2000 by giving

them access to the five fundamental building blocks of development (see sidebar).

So, can America and South Carolina do this? And how?

First of all, the problem is real—not just in other places in the nation which are more urban than South Carolina—but here at home. When the latest Kids Count statistics came out this month, the state of South Carolina got the bad news that it had fallen from 46 to 48 among the states in this annual survey of the well-being of children.

Compared to 1985, South Carolina did worse in 1994 in eight of the ten factors making up the survey, factors like children's death rates, teen birth rates, and the percentage of children in poverty. Juvenile violent crime arrest rates in the state rose 213 percent, one of the largest increases in the nation. In two factors, teens not attending school and infant mortality, state statistics improved.

To achieve the goals of the Summit, America's businesses and nonprofits have been asked to make promises of additional resources to the effort. At Summit time over 250 groups had made such commitments.

Coca Cola, Big Brothers/Big Sisters, Kmart Corpora-

tion, Rotary International, the Greek Orthodox Church, First Union, and Lenscrafters made significant commitments. The Girl Scouts, Habitat for Humanity, NationsBank, the Nature Conservancy and the YMCA also are on board. National commitments were still coming in as delegates were leaving for home.

The presidents and Mrs. Reagan (for President Reagan) signed America's Promise, a document symbolizing a national commitment to the goals of the Summit. The next step is to make commitments at the state and community level.

Columbia's and Charleston's delegations started to make plans for taking the Summit's message to groups in their communities from the moment they were organized to go to the Summit. Columbia is planning a local Summit for the fall, and the Charleston group is making individual contacts and planning meetings to get local commitments. The rural delegation, a late addition to the Summit roster, is looking at ways to bring the Summit's message to the upstate and other rural areas not represented in Philadelphia.

If South Carolina's rural areas and smaller cities are going to be mobilized to meet the

The challenge issued at the summit and now being voiced by the post-summit organization America's Promise — The Alliance for Youth is:

By the end of the year 2000, an additional 2 million young people will have access to five fundamental resources that can maximize their potential for success:

1. an ongoing relationship with a caring adult
2. safe and structured places to learn and grow
3. a healthy start
4. a marketable skill
5. the opportunity to give back through their own service

For information on national commitments, the Summit, and post-summit activities, visit the internet: <http://www.americaspromise.org> or call toll-free: 1-888-55-YOUTH or e-mail: [c.powell@americaspromise.org](mailto:c.powell@americaspromise.org)

(Cont. p. 4)

---

COMMUNITY  
AND  
ECONOMIC  
DEVELOPMENT  
PROGRAM

---

Nonprofit  
Organization  
U.S. Postage  
**PAID**  
Permit No. 10  
Clemson, S.C.

**CLEMSON**  
UNIVERSITY

The Community Leader's Letter is printed quarterly. It is the newsletter of the Community & Economic Development Program at Clemson University, a joint program of the Strom Thurmond Institute, the Cooperative Extension Service, the S.C. Agricultural Experiment Station, the College of Business and Public Affairs, and the Office of Public Affairs. Program offices are in the Institute building on campus.

Holley Ulbrich,  
Program Coordinator  
Ada Lou Steirer,  
Research Associate  
Jim Hite, Contributing  
Editor

Articles in the newsletter may be reprinted; however, please cite the newsletter as the source. To be added to or deleted from the mailing list or to correct an address, write or call. If you receive more than one newsletter, please notify us. Previous issues of the Community Leader's Letter can be found on the Strom Thurmond Institute Web site at <http://www.strom.clemson.edu/>



---

## THE COMMUNITY LEADER'S LETTER

### Applicants for New Funding Can Learn . . . (From p. 1)

gram is a ten-year initiative that must be sustained through new partnerships and collaboration in communities. So, rather than viewing the federal dollars as grant money to be spent quickly, communities must use the monies to leverage additional resources, creating sustainable partnerships.

For example, the Williams-

burg-Lake City Enterprise Community is in no hurry to spend its \$3 million grant. Through strategic actions, it is building a foundation for the community by becoming a catalytic agent in collaboration with other community stakeholders. This process will help the community to achieve its benchmarks for industrial development, job

training, educational improvements, transportation and infrastructure improvements, health care access, and so forth. As the program intends, the community is viewing the grant funds as seed money and capitalizing on its priority standing with federal and state agencies in securing help beyond the direct support available through the program.

### Presidents' Summit Challenges . . .

(From p. 3)

goals of the national Summit perhaps a state summit is needed to pass the message on to delegations of local leaders. Another goal of a state summit might be to solicit the kinds of commitment made at the national level from South Carolina's corporate community, nonprofits, communities of faith, schools and

colleges, and state agencies.

But, when it comes right down to it, whether this effort is successful depends on individual South Carolinians. Each person in the state is challenged by the goals of the Summit to examine what he or she can do to turn the lives of America's youth around by making an individ-

ual commitment.

So, respond to Colin Powell's challenge. Call your local volunteer information service or center, the United Way, the school system, your church, community centers, and agencies serving children to find a mentoring opportunity or a way to provide another service to children.

Contacts for S.C. delegations: Governor's, Vernon McCurry, 864 288 6152; Columbia, Gerry Gudgel, 803 748 5350; Charleston, Lela Severance, 803 937 5350; rural, Lou Robinson, 864 868 2810 or Ada Lou Steirer, 864 656 0213.